

AMENDED IN ASSEMBLY MAY 22, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1788**

---

**Introduced by Assembly Member Morrell**

February 21, 2012

---

An act to amend Sections 214.1 and 214.2 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL’S DIGEST

AB 1788, as amended, Morrell. Property taxation: welfare exemption: course of construction.

(1) Pursuant to authorization in the California Constitution, existing property tax law establishes a welfare exemption under which property is exempt from taxation if, among other things, that property is used exclusively for religious, hospital, scientific, or charitable purposes and is owned and operated by an entity, as provided, that is itself organized and operated for those purposes. The California Constitution specifies that this exemption applies to buildings under construction, the land on which the buildings are situated, and equipment in the buildings if their intended use is exclusively for exempt purposes. Existing property tax law specifies that property used exclusively for religious, hospital, or charitable purposes includes facilities in the course of construction, as defined, and the land on which the facilities are located.

This bill would, pursuant to these constitutional provisions, additionally specify that property used exclusively for those purposes includes equipment in those facilities, as provided. This bill would also define “course of construction” to include the period subsequent to an owner filing a completed application for a building permit “*facilities in the course of construction*” to include prospective construction or

*rehabilitation of a new or existing building or improvement, evidenced by an application for a building permit, if that building or improvement will be used exclusively for religious, hospital, or charitable purposes and if construction commences within 12 months of the date that the permit is approved, as provided.*

(2) Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

(3) This bill would take effect immediately as a tax levy, but its operation would commence with the lien date for the 2013–14 fiscal year.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 214.1 of the Revenue and Taxation Code  
2 is amended to read:

3 214.1. (a) As used in Section 214, property used exclusively  
4 for religious, hospital or charitable purposes includes facilities in  
5 the course of construction on or after the first Monday of March,  
6 1954, together with the land on which the facilities are located and  
7 the equipment in the facilities as may be required for their  
8 convenient use and occupation, if the intended use of the facilities,  
9 land, and equipment is exclusively for religious, hospital or  
10 charitable purposes.

11 (b) The amendments made to this section by the act adding this  
12 subdivision are enacted pursuant to subdivision (b) of Section 4  
13 and Section 5 of Article XIII of the California Constitution.

14 SEC. 2. Section 214.2 of the Revenue and Taxation Code is  
15 amended to read:

16 214.2. (a) As used in Section 214.1, “facilities in the course  
17 of construction” shall include the demolition or razing of a building  
18 with the intent to replace it with facilities to be used exclusively  
19 for religious, hospital, or charitable purposes.

(b) As used in Section 214.1, “facilities in the course of construction” shall include definite onsite physical activity connected with construction or rehabilitation of a new or existing building or improvement, that results in changes visible to any person inspecting the site, where the building or improvement is to be used exclusively for religious, hospital, or charitable purposes. Activity as described in the preceding sentence having been commenced and not yet finished, unless abandoned, shall establish that a building or improvement is “under construction” for the purposes of Section 5 of Article XIII of the California Constitution. Construction shall not be considered “abandoned” if delayed due to reasonable causes and circumstances beyond the assessee’s control, that occur notwithstanding the exercise of ordinary care and the absence of willful neglect.

(c) (1) As used in Section 214.1, “facilities in the course of construction” shall include prospective construction or rehabilitation of a new or existing building or improvement, as evidenced by application to the local planning or building department for a building permit, if ~~the both of the following occur:~~

(A) The building or improvement is to be used exclusively for religious, hospital, or charitable purposes. ~~Exempt~~

(B) *The construction commences within 12 months of the date on which the building permit is approved.*

(2) *Exempt* status shall be granted and any tax, penalty, or interest levied on the exempt portion of the assessment shall be canceled or refunded upon confirmation that the physical activity described in subdivision (b) has commenced.

~~(2)~~

(3) For property acquired or not existing until after the lien date, any exemption allowed pursuant to paragraph (1) shall be applied retroactively to the date of the permit application in accordance with the procedures contained in Sections 271 and 272, and shall be subject to the four-year limitation set forth in subdivision (a) of Section 4831.

SEC. 3. Notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made by this act and the state shall not reimburse any local agency for any property tax revenues lost by it pursuant to this act.

SEC. 4. This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.

- 1 However, the amendments made to Sections 214.1 and 214.2 of
- 2 the Revenue and Taxation Code by this act are operative
- 3 commencing with the lien date for the 2013–14 fiscal year.

O